

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 NRC-05 SOE-02 AID-05 CEA-01
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INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11
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P R 040700Z APR 78
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC PRIORITY 2863
INFO AMCONSUL BRISBANE POUCH
AMEMBASSY BRUSSELS
AMCONSUL MELBOURNE
AMEMBASSY PARIS
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USEEC

USOECCD

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TAGS: BEXP ETRD EFIN EMIN EINV EGEN AS
SUBJECT: DEPUTY PM ANTHONY ADDRESSES MINING COUNCIL ON FUTURE GOA
URANIUM POLICY AND REVIEWS ASPECTS HIS RECENT TRIP TO JAPAN

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1. SUMMARY: DEPUTY PRIME MINISTER AND MINISTER FOR TRADE
AND RESOURCES J.D. ANTHONY ADDRESSED THE ANNUAL CONVENTION OF
THE AUSTRALIAN MINING INDUSTRY COUNCIL (AMIC) ON APRIL 3RD AND
PROVIDED A SUMMARY OF THE GOA'S FUTURE POLICY WITH REGARD TO
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URANIUM DEVELOPMENT; THE DEPUTY PM ALSO SUMMARIZED HIS
DISCUSSIONS DURING HIS RECENT TRIP TO JAPAN. END SUMMARY.

2. ON URANIUM. THE DEPUTY PM'S MAIN POINTS WERE:
"THE ENERGY SITUATION NOW FACING THE WORLD MAKES IT IMPORTANT
FOR FUTURE INTERNATIONAL STABILITY THAT AUSTRALIA'S ABUNDANT
ENERGY RESOURCES ARE MADE AVAILABLE.

"IT MUST ALSO BE RECALLED THAT AUSTRALIA HAS EXISTING APPROVED EXPORT CONTRACTS, AMOUNTING TO ABOUT 11,700 SHORT TONS, APPROVED IN THE EARLY 1970S, AND WHICH SUCCESSIVE GOVERNMENTS, INCLUDING THE LABOR GOVERNMENT, HAVE REPEATEDLY STATED WILL BE HONORED.

"AUSTRALIA WILL NOT BE ABLE TO HONOR THESE CONTRACTS - WHICH ARE LONG-TERM CONTRACTS EXTENDING TO 1986 - UNLESS IT PROCEEDS WITH THE DEVELOPMENT OF NEW MINES.

"AUSTRALIA'S CREDIBILITY AS A STABLE TRADING NATION ON WHOM OTHER COUNTRIES CAN RELY IS THEREFORE VERY CLEARLY AT STAKE IN RELATION TO THE UNDERTAKINGS THAT HAVE BEEN GIVEN.

"THE ACTU HAS CALLED FOR CONSULTATIONS IN RELATION TO THE DEVELOPMENT OF NEW URANIUM MINES. THE GOVERNMENT HAS SAID IT WOULD BE GLAD TO ACCEDE TO THIS REQUEST, AND THAT PROCESS OF CONSULTATION HAS ALREADY BEGUN.

"I EXPECT THAT VERY SHORTLY THE GOVERNMENT WILL BE IN A POSITION TO INTRODUCE INTO THE PARLIAMENT A MAJOR PACKAGE OF LEGISLATION (ON URANIUM DEVELOPMENT).

"THE PASSAGE OF THIS LEGISLATION WILL BE A FURTHER STEP IN THE PROCESS OF IMPLEMENTATION OF OUR URANIUM POLICY.

"THE URANIUM INDUSTRY WILL BE A MAJOR NEW DEVELOPMENT FOR AUSTRALIA. IT WILL PROVIDE SIGNIFICANT EMPLOYMENT, EXPORT INCOME AND ECONOMIC BENEFITS TO AUSTRALIA. IT WILL ALSO GREATLY INCREASE AUSTRALIA'S STATUS IN THE WORLD COMMUNITY AND PROVIDE US WITH A STRONG VOICE IN WORLD FORUMS WHERE ISSUES OF NUCLEAR NON-PROLIFERATION AND NUCLEAR SAFEGUARDS LIMITED OFFICIAL USE

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ARE DISCUSSED.

"THE SUCCESSFUL AND PROMPT IMPLEMENTATION OF OUR POLICY IS A CHALLENGE FOR ALL SECTIONS OF THE AUSTRALIAN COMMUNITY - A CHALLENGE WE MUST ACCEPT.

"I WILL BE VERY DISAPPOINTED IF DEVELOPMENT CANNOT GET UNDER WAY IN THE FORTHCOMING DRY SEASON. I'M SURE NO POLITICAL PARTY WOULD WANT TO ADD TO AUSTRALIA'S EMBARRASSMENT BY PLACING IN FURTHER JEOPARDY THE HONORING OF EXISTING CONTRACTS.

"FOR ITS PART, THE GOVERNMENT IS RESOLVED THAT URANIUM DEVELOPMENT WILL PROCEED ON A CAREFULLY-REGULATED AND CONTROLLED BASIS CONSISTENT WITH THE GOVERNMENT'S DETERMINATION FOR PROPER ENVIRONMENTAL CONTROL AND FOR ENSURING THE WELFARE OF THE ABORIGINAL PEOPLE."

3. ON HIS DISCUSSIONS IN JAPAN.

"ONE OF THE PRIMARY REASONS FOR MY RECENT VISIT TO JAPAN WAS TO EVALUATE AT FIRST HAND THE IMMEDIATE AND LONGER-TERM PROSPECTS FOR AUSTRALIA'S MINERAL EXPORTS TO THAT COUNTRY. IT IS PROBABLY OVERSTATING THE SITUATION SLIGHTLY, BUT NOT MUCH, TO SAY THAT THE FUTURE OF THE AUSTRALIAN MINING INDUSTRY HINGES ON THE HEALTH AND GROWTH OF THE JAPANESE

ECONOMY.

"IN LOOKING AT THE SHORT-TERM PROBLESM, MY IMMEDIATE CONCERN WAS WITH THE STEEL INDUSTRY IN JAPAN AND THE IMPLICATIONS OF ITS HEALTH FOR OUR IRON ORE AND COKING COAL INDUSTRIES.

"SOME 80 PERCENT OF OUR IRON ORE AND COKING COAL IS SHIPPED TO JAPAN EACH YEAR. THERE IS NO CLEARER EVIDENCE OF OUR OVERWHELMING DEPENDENCE ON THE JAPANESE MARKET.

"FOR ITS PART, JAPAN DRAWS ALMOST 50 PERCENT OF ITS IRON ORE AND OVER 40 PERCENT OF ITS COKING COAL REQUIREMENTS FROM AUSTRALIA. TO AUSTRALIA, STEEL-MAKING RAW MATERIAL EXPORTS REPRESENT ALMOST 20 PERCENT OF OUR EXPORT INCOME.

"TWO YEARS AGO THE JAPANESE STEEL MILLS WERE THINKING IN TERMS OF POSSIBLE STEEL PRODUCTION BY 1980 AND 140 TO 150 MILLION TONNES. AS YOU KNOW, THE AUSTRALIAN GOVERNMENT LIMITED OFFICIAL USE

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QUICKLY TOOK THE NECESSARY STEPS TO FACILITATE THE ADDITIONAL DEVELOPMENT PROJECTS REQUIRED TO MEET JAPAN'S EXPECTED NEED FOR RAW MATERIALS.

"WE ACTED TO REMOVE THE COAL EXPORT LEVY; ROADBLOCKS TO NEW PROJECTS IN COAL AND IRON ORE WERE OVERCOME; THE NEWCASTLE COAL LOADER WAS FACILITATED; FOREIGN EQUITY GUIDELINES WERE ENUNCIATED AND A NEW IMPROVED TACATION REGIME FOR MINING WAS INTRODUCED. THE GOVERNMENT, IN REACHING THESE DECISIONS, TOOK ACCOUNT OF JAPAN'S EXPECTED NEEDS.

"ECONOMIC CIRCUMSTANCES IN JAPAN HAVE CHANGED DRAMATICALLY IN THE INTERVENING PERIOD - FOR THE WORSE.

"AT THE PRESENT TIME THE JAPANESE STEEL INDUSTRY IS DEPRESSED. PRODUCTION IS AT ONLY 70 PERCENT CAPACITY, AND STOCKPILES ARE AT RECORD LEVELS. I MIGHT SAY THAT I'VE BEEN ASTONISHED IN THE LAST FRW DAYS BY THE INABILITY, OR UNWILLINGNESS, OF SOME MIDIA PEOPLE IN AUSTRALIA TO GRASP THIS REALITY AND ITS IMPLICATIONS FOR AUSTRALIA.

"ONE OF THE OBJECTIVES DURING MY VISIT WAS TO SEEK EXEMPTION FOR AUSTRALIA FROM ANY IMPORT CUTS THAT MIGHT BE MADE - AND SUCH CUTS IN JAPANESE IMPORTS CERTAINLY SEEMED INEVITABLE.

"THE IRON ORE SITUATION IS PARTICULARLY SERIOUS. IN THE FIRST TWO MONTHS OF CALENDAR '78, IRON ORE SHIPMENTS TO JAPAN WERE RUNNING AT AN ANNUAL RATE OF SOME 49 MILLION

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TONNES. THIS RATE OF SHIPMENT REPRESENTS ONLY THREE-QUARTERS
OF MINIMUM CONTRACTED TONNAGES TO JAPAN. THE LOSS IN EXPORT
REVENUE FOR THE TWO MONTHS COMPARED TLTHE SAME PERIOD LAST
YEACAWAS SOME DOLS 30 MILLION.

"IN THIS SITUATION, I DIRECTED MY ENERGIES TO MINIMIZING
THE IMPACT OF ANY CUTS ON AUSTRALIA. TO THIS END I
IMPRESSED ON THE JAPANESE, BOTH AT INDUSTRY AND GOVERNMENT
LEVEL, THE CASE FOR ACCORDING AUSTRALIA PREFERRED TREATMENT.
"I EMPHASIZED THE INVESTMENT THIS COUNTRY HAS APANESE STEEL INDUSTRY
THROUGH THE DEVELOPMENT OF OUR IRON
ORE AND COAL DEPOSITS.
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"I STRESSED THE STABILITY OF AUSTRALIA AS A SECURE AND
ECONOMIC SUPPLIER OF STEEL-MAKING RAW MATERIALS.
"I POINTED OUT THAT THE CURRENT DIFFICULTIES FACING THE
JAPANESE STEEL INDUSTRY REPRESENT THE MOST SERIOUS PROBLEM
WHICH HAS CONFRONTED OUR IRON ORE AND COAL INDUSTRIES SINCE
THE INCEPTION OF THIS TRADE BETWEEN OUR TWO COUNTRIES.
"I TOLD THE JAPANESE THAT HOW THIS PROBLEM IS HANDLED WILL
HAVE IMPORTANT LONG-TERM IMPLICATIONS, NOT ONLY FROM THE
VIEWPOINT OF FUTURE INVESTMENT IN RESOURCE DEVELOPMENT, BUT

ALSO FOR THE WHOLE SPECTRUM OF OUR TRADING RELATIONSHIP.

"IT IS ESSENTIAL, WHEN PROBLEMS DEVELOP, THAT THEY BE RESOLVED IN A MUTUALLY SATISFACTORY WAY, WITH A SYMPATHETIC UNDERSTANDING OF THE PROBLEMS ON BOTH SIDES IN ORDER TO MAINTAIN THE CONFIDENCE AND CREDIBILITY REQUIRED FOR GOOD COMMERCIAL RELATIONS.

"I PUT FORWARD SOME SPECIFIC PROPOSALS AS TO HOW THE IMPACT OF THE PRESENT DIFFICULTIES COULD BE MINIMIZED.

"WHILE ACCEPTING THAT THE AUSTRALIAN INDUSTRY MUST MAKE SACRIFICES, I STRESSED THE NEED FOR JAPAN TO BE SEEN TO BE SHARING THE BURDEN.

"I ARGUE STRONGLY FOR THE RETENTION OF EXISTING STOCKPILE LEVELS, NOT ONLY OF IRON ORE AND COAL BUT ALSO OF PIG IRON, SCRAP STEEL AND COKE. THEIR OWN WEAK PROFITABILITY SITUATION WAS SERIOUSLY TEMPTING THEM TO DRAW ON THEIR HEAVY STOCKS.

"THE MILLS GAVE ME AN ASSURANCE THAT THEY WOULD HOLD THEIR STOCKS OF IRON ORE AND COAL AT THE CURRENT RECORD LEVELS - AND THIS WAS THE FIRST TIME SUCH AN ASSURANCE HAD BEEN GIVEN.

"THE STOCKS OF PIG IRON, STEEL SCRAP AND COKE REPRESENT HUGE FINANCIAL COSTS TO THE STEEL MILLS. I PUT TO BOTH THE MILLS AND THE JAPANESE GOVERNMENT THE DESIRABILITY OF EASING THIS BURDEN WITH SPECIAL FINANCIAL ARRANGEMENTS IN ORDER TO LIMITED OFFICIAL USE

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MAXIMIZE IMPORTS OF RAW MATERIALS.

"IT IS TOO EARLY TO FORECAST THE FINAL JAPANESE REACTION, BUT I AM HOPEFUL THAT THE THRUST OF MY REPRESENTATIONS WILL BE HEEDED.

"ON THE IRON ORE SIDE, THE JAPANESE ARE PROPOSING TO FINANCE THE STOCKPILING OF IRON ORE PELLETS FROM NEW PELLET PLANTS IN CHILE, BRAZIL AND GOA.

"I SOUGHT AND OBTAINED SYMPATHETIC CONSIDERATION TO EXTENDING THIS TO EXISTING PELLET PLANTS IN AUSTRALIA. I FULLY RECOGNIZE THAT ANY ASSISTANCE IN THIS AREA SHOULD BE DEMONSTRABLY TO AUSTRALIA'S BENEFIT AND NOT REPRESENT A THREAT TO FUTURE SUPPLIES.

"AS WELL AS THE PROPOSALS I MADE ON STOCKPILES, I TOLD THE JAPANESE THAT ON THE QUESTION OF PRICE, THE AUSTRALIAN GOVERNMENT'S POLICY WAS THAT MINERALS MUST BE SOLD AT REASONABLE PRICES.

"I SAID THAT I WAS CONCERNED THAT IRON ORE PRICES ARE ALREADY AT LOW LEVELS AND ANY FURTHER REDUCTION IN PRICE WOULD MEAN THAT THERE WAS A REAL RISK OF DAMAGING THE VIABILITY OF THE IRON ORE INDUSTRY.

"I INDICATED THAT THERE ARE ALSO SOME REMAINING LOW-PRICED CONTRACTS FOR AUSTRALIAN IRON ORE AND THE MILLS COULD SHOW SYMPATHETIC UNDERSTANDING BY BRINGING FORWARD THESE CONTRACTS FOR A PRICE REVIEW.

"I WILL CONTINUE TO PRESS STRONGLY THAT IT IS IN JAPAN'S ECONOMIC INTEREST TO TAKE A HIGHER PROPORTION OF HER IRON ORE AND COAL REQUIREMENTS FROM AUSTRALIA, HER MOST ECOMPETITIVE SUPPLIER. CERTAINLY THERE IS NO DOUBT THAT WE WILL MAINTAIN OUR EXISTING SHARE OF THE MARKET.

"AT A TIME OF CUTBACKS, IT WOULD HAVE BEEN AN INTOLERABLE SITUATION IF ANY SUPPLYING COUNTRY INCREASED ITS MARKET SHARE AT THE EXPENSE OF AUSTRALIA.

"IN SUMMARY, THE MAIN MESSAGE I CARRIED WITH ME FROM JAPAN WAS THAT AUSTRALIA CAN EXPECT TO BE WELL SATISFIED WITH ITS TREATMENT AS A RAW MATERIAL SUPPLIER TO JAPAN COMPARED WITH OTHER COUNTRIES. I BELIEVE MY VISIT WAS TIMELY, AND LIMITED OFFICIAL USE

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CERTAINLY AS EFFECTIVE AS IT COULD BE IN THE CIRCUMSTANCES."

4. SUMMARY DATA ON AMIC CONFERENCE, AND ON PAPERS DELIVERED BY INDUSTRY AND GOA SPEAKERS REPORTED BY SEPTTEL. CONFERENCE PAPERS FORWARDED UNDER OCOVER OF AIRGRAM.
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5. PRELIMINARY INDICATIONS TO THE EMBASSY ARE THAT PRIME MINISTER FRASER WILL BE MEETING WITH PRIME MINISTER FUKUDA AND WITH KEY GOJ MINISTERS IN JAPAN DURING THE PERIOD APRIL 18 THRU APRIL 21ST TO DISCUSS, INTER ALIA, THE SLIDE OF THE U.S. DOLLAR; JAPANESE-AUSTRALIAN TRADE (ASSUMEDLY IN THE CONTEXT OF THE MINERALS CONTRACTS REVIEWED BY DEPUTY PM ANTHONY DURING HIS TRIP) AND THE DEVELOPMENT OF AUSTRALIAN URANIUM DEPOSITS BY JAPANESE INTERESTS. RE URANIUM, ECON COUNSELOR SHINOBU MURAI WHO ALSO ATTENDED THE AMIC CONFERENCE CONFIRMED TO EMBASSY OFFICER THAT THE JAPANESE ARE INDEED NOW LOOKING INTENSIVELY INTO URANIUM DEVELOPMENTS IN THE NORTHERN TERRITORIES AND IN NORTHERN WESTERN AUSTRALIA. FURTHER DATA ON THESE DEVELOPMENTS AND ON THE PM'S TRIP TO JAPAN WILL BE REPORTED SEPTELS.
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
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